

**Senate Bill No. 705**

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Passed the Senate September 9, 2011

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*Secretary of the Senate*

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Passed the Assembly September 8, 2011

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to add Sections 961 and 963 to the Public Utilities Code, relating to public utilities.

## LEGISLATIVE COUNSEL'S DIGEST

SB 705, Leno. Natural gas: service and safety.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. The Public Utilities Act authorizes the commission to ascertain and fix just and reasonable standards, classifications, regulations, practices, measurements, or services to be furnished, imposed, observed, and followed by specified public utilities, including gas corporations.

Existing federal law requires the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) to adopt minimum safety standards for pipeline transportation and for pipeline facilities, including an interstate gas pipeline facility and an intrastate gas pipeline facility, as defined. Existing law authorizes the United States Secretary of Transportation to prescribe or enforce safety standards and practices for an intrastate pipeline facility or intrastate pipeline transportation to the extent that the safety standards and practices are regulated by a state authority that annually submits to the secretary a certification for the facilities and transportation or, alternatively, authorizes the secretary to make an agreement with a state authority authorizing it to take necessary action to meet certain pipeline safety requirements. Existing federal law prohibits a state authority from adopting or continuing in force safety standards for interstate pipeline facilities or interstate pipeline transportation, but permits a state authority that has submitted a specified certification to adopt additional or more stringent safety standards for intrastate pipeline facilities and intrastate pipeline transportation only if those standards are compatible with the minimum standards prescribed by PHMSA.

This bill would require each gas corporation to develop a plan, as specified, for the safe and reliable operation of its commission-regulated gas pipeline facility. The bill would require the commission to accept, modify, or reject the plan for each gas corporation by December 31, 2012, and to build into an approved plan sufficient flexibility to redirect activities to respond to safety requirements. The bill would require that the plan be periodically reviewed and updated.

The bill would declare that it is the policy of the state to place safety of the public and gas corporation employees as the top priority and require the commission to require that the distribution rate of a gas corporation include sufficient revenues and employee staffing to provide for prompt provision of service to the public consistent with this policy. The bill would require the plan, discussed above, to set forth the manner in which the gas corporation will implement this policy and achieve specified objectives. The bill would require the commission to take all reasonable and appropriate actions to carry out that policy, as specified.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*The people of the State of California do enact as follows:*

SECTION 1. Section 961 is added to the Public Utilities Code, to read:

961. (a) For purposes of this section, “gas corporation workforce” means the employees of a gas corporation and

employees of an independent contractor of the gas corporation while working under contract with the gas corporation.

(b) (1) Each gas corporation shall develop a plan for the safe and reliable operation of its commission-regulated gas pipeline facility that implements the policy of paragraph (3) of subdivision (b) of Section 963, subject to approval, modification, and adequate funding by the commission.

(2) By December 31, 2012, the commission shall review and accept, modify, or reject the plan for each gas corporation as part of a proceeding that includes a hearing. The commission shall build into any approved plan sufficient flexibility to redirect activities to respond to safety requirements.

(3) Each gas corporation shall implement its approved plan.

(4) The commission shall require each gas corporation to periodically review and update the plan, and the commission shall review and accept, modify, or reject an updated plan at regular intervals thereafter. The commission, pursuant to Section 1701.1, shall determine whether a proceeding on a proposed update to a plan requires a hearing, consistent with subdivision (e).

(c) The plan developed, approved, and implemented pursuant to subdivision (b) shall be consistent with best practices in the gas industry and with federal pipeline safety statutes as set forth in Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code and the regulations adopted by the United States Department of Transportation pursuant to those statutes.

(d) The plan developed, approved, and implemented pursuant to subdivision (b) shall set forth how the gas corporation will implement the policy established in paragraph (3) of subdivision (b) of Section 963 and achieve each of the following:

(1) Identify and minimize hazards and systemic risks in order to minimize accidents, explosions, fires, and dangerous conditions, and protect the public and the gas corporation workforce.

(2) Identify the safety-related systems that will be deployed to minimize hazards, including adequate documentation of the commission-regulated gas pipeline facility history and capability.

(3) Provide adequate storage and transportation capacity to reliably and safely deliver gas to all customers consistent with rules authorized by the commission governing core and noncore reliability and curtailment, including provisions for expansion,

replacement, preventive maintenance, and reactive maintenance and repair of its commission-regulated gas pipeline facility.

(4) Provide for effective patrol and inspection of the commission-regulated gas pipeline facility to detect leaks and other compromised facility conditions and to effect timely repairs.

(5) Provide for appropriate and effective system controls, with respect to both equipment and personnel procedures, to limit the damage from accidents, explosions, fires, and dangerous conditions.

(6) Provide timely response to customer and employee reports of leaks and other hazardous conditions and emergency events, including disconnection, reconnection, and pilot-lighting procedures.

(7) Include appropriate protocols for determining maximum allowable operating pressures on relevant pipeline segments, including all necessary documentation affecting the calculation of maximum allowable operating pressures.

(8) Prepare for, or minimize damage from, and respond to, earthquakes and other major events.

(9) Meet or exceed the minimum standards for safe design, construction, installation, operation, and maintenance of gas transmission and distribution facilities prescribed by regulations issued by the United States Department of Transportation in Part 192 (commencing with Section 192.1) of Title 49 of the Code of Federal Regulations.

(10) Ensure an adequately sized, qualified, and properly trained gas corporation workforce to carry out the plan.

(11) Any additional matter that the commission determines should be included in the plan.

(e) The commission and gas corporation shall provide opportunities for meaningful, substantial, and ongoing participation by the gas corporation workforce in the development and implementation of the plan, with the objective of developing an industrywide culture of safety that will minimize accidents, explosions, fires, and dangerous conditions for the protection of the public and the gas corporation workforce.

(f) Nothing in this section limits the obligation of a gas corporation to provide adequate service and facilities for the convenience of the public and its employees pursuant to Section

451 or the authority of the commission to enforce that obligation under state law.

SEC. 2. Section 963 is added to the Public Utilities Code, to read:

963. (a) For purposes of this section, the following terms have the following meanings:

(1) “After-meter services” includes, but is not limited to, leak investigation, inspecting customer piping and appliances, carbon monoxide investigation, pilot relighting, and high bill investigation.

(2) “Basic gas service” includes transmission, storage for reliability of service, and distribution of natural gas, purchasing natural gas on behalf of a customer, revenue cycle services, and after-meter services.

(3) “Metering services” includes, but is not limited to, gas meter installation, meter maintenance, meter testing, collecting and processing consumption data, and all related services associated with the meter.

(4) “Revenue cycle services” means metering services, billing the customer, collection, and related customer services.

(b) The Legislature finds and declares all of the following:

(1) In order to ensure that all core customers of a gas corporation continue to receive safe basic gas service, each existing gas corporation shall continue to provide this essential service.

(2) A customer shall not be required to pay separate fees for utilizing services that protect public or customer safety.

(3) It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates.

(c) (1) The commission shall require each gas corporation to provide bundled basic gas service to all core customers in its service territory unless the customer chooses or contracts to have natural gas purchased and supplied by another entity.

(2) A gas corporation shall continue to be the exclusive provider of revenue cycle services to all customers in its service territory, except that an entity purchasing and supplying natural gas under the commission’s existing core aggregation program may perform billing and collection services for its customers under the same

terms as currently authorized by the commission, and except that a supplier of natural gas to noncore customers may perform billing and collection for natural gas supply for its customers.

(3) The gas corporation shall continue to calculate its charges for services provided by that corporation. If the commission establishes credits to be provided by the gas corporation to core aggregation or noncore customers who obtain billing or collection services from entities other than the gas corporation, the credit shall be equal to the billing and collection services costs actually avoided by the gas corporation.

(4) The commission shall require the distribution rate to continue to include after-meter services and shall authorize sufficient revenues and employee staffing to provide for prompt provision of these services to the public, consistent with the policy developed and implemented by the gas corporation and approved by the commission pursuant to Section 961.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

Approved \_\_\_\_\_, 2011

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*Governor*